

Analysis of the payments market in the Republic of Kazakhstan

August 2023



Introduction

*We continue working to ensure that each of our readers would receive reliable information and could make decisions based on verified data. Therefore for today's segment we have chosen the following saying which became an inspiration for launching this analytical report: **"Be very, very careful what you put into that head of yours, because you will never, ever get it out"** - Cardinal Thomas Wolsey (16th century, England).*



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Despite the continued dynamics of the payments growth in 2022, the growth rates slowed down compared to the last year. Based on the results of our analysis, the payments market amounted to Tenge 41,1 trillion in 2022, increasing by 27% (2021: the annual growth was 40%).

The share of cash payments in the total volume of the market continues to reduce and based on the results of our analysis it amounted to 48%, which is 7 percentage points less than in 2021 (55%). One of the main reasons of such a result are the rapid development of non-cash payment methods and appearance of new digital solutions in the payments market.

The amount of non-cash payments increased by 49% compared to 2021 and reached Tenge 21,6 trillion in 2022. The frequency of non-cash payments increased by 44% and amounted to 3,8 billion transactions. Among other things, it was caused by the growing accessibility of non-cash payment methods, for example in 2022 the number of POS terminals increased by 66% compared to 2021 reaching 832 thousand units.

Apparently non-cash payment methods will continue to win the market, among other things due to transparency, convenience, accessibility and growth of the retail e-commerce. Additionally, the government stimulates consumers and business to actively use non-cash payments.

We are offering you the analysis of the payments market of the Republic of Kazakhstan. We hope this research will be useful to a wide range of readers and all the stakeholders.

The analysis was conducted in June 2023.

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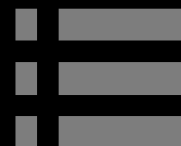
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Review and objectives of the research

The analysis of the payments market is a PwC Kazakhstan publication, which evaluates the volumes and quantity of payments (excluding P2P transfers) made via various channels used by individuals around Kazakhstan. The research conducted by PwC Kazakhstan uses an exclusive data set from the market players to evaluate the changing trends in payment methods. It also gives a unique view on the volumes of various payment channels, discloses which payment methods users prefer and provides a valuable comparative analysis for users of payment instruments.

The data for the current issue were collected in June 2022 and cover a time period from January 2019 to December 2022. The survey was conducted among the players with a share of about 80% of active users of online banking services of Kazakhstan.

During the survey, we collected data related to the volume of payments made and the quantity of transactions related to the use of cash and non-cash payment methods (online and offline) and other payment methods aggregated into Smart Pay (QR, Apple Pay, Samsung Pay, Google Pay, Android Pay, Garmin Pay).

We hope that this analysis of the payments market of the Republic of Kazakhstan will be useful to a wide range of readers and stakeholders.



Data

Collection of data of the players of the payments market for the aggregated analysis



Analysis

Analysis of the payment methods in the payments market



Identifying trends

Identifying trends and potentialities of the payments market



Approach to the analysis of the survey results

The volume of the market was calculated based on the data provided by the market players using payment systems and data of the National Bank of the Republic of Kazakhstan (NBRK) on the use of payment cards issued by Kazakhstani and foreign issuers.

The definition of the RK payment system includes cash withdrawn from ATMs, non-cash payments using online and offline POS - terminals, and other payment methods aggregated in Smart Pay (QR, Apple Pay, Samsung Pay, Google Pay, Android Pay, Garmin Pay). The research did not include transfers of individuals (P2P transfers), due to complexity of determining the intended purpose of transfers.

Several market players provided real data in terms of the volume and quantity of transactions performed using various payment methods. The amounts were cross-checked with aggregated data of NBRK and other statistics data from open sources to determine the full volume of the market. Then the specific shares of the ratio of real data of the market players to NBRK's data were determined. The average value of shares was then used for extrapolation of data. After that, in case of discrepancies between the players' data and NBRK's data, the shares were adjusted using an expert's opinion. As a result, the full volume of the payments market in the Republic of Kazakhstan was derived.

Stage 1

Determining the estimated volumes and transactions of the market players based on NBRK's data and statistics data

Stage 1

- Cross-check with the data received from the players
- Calculation of the average value of real data to NBRK's data and/or statistics data
- Extrapolation on remaining market players

Stage 1

Determining the size of the market and conducting the analysis



Main conclusions

The payments market amounted to

1 **41,1 tn KZT**

(by 27% greater than in 2021)

for 12 months of 2022
excluding P2P transfers

Share of cash payments* amounted to

2 **48%**

(55% in 2021)

in 2022 of the total payments market

The non-cash payments market** amounted to

3 **21,6 tn KZT**

(49% greater than in 2021)

for 12 months of 2022
excluding P2P transfers

The amount of payments using
Smart Pay*** increased

4 **2,1 times**

(13,2 times compared to 2020)

in 2022 compared to 2021

The amount of online payments increased

5 **1,6 times**

(2.7 times compared to 2020)

in 2022 compared to 2021

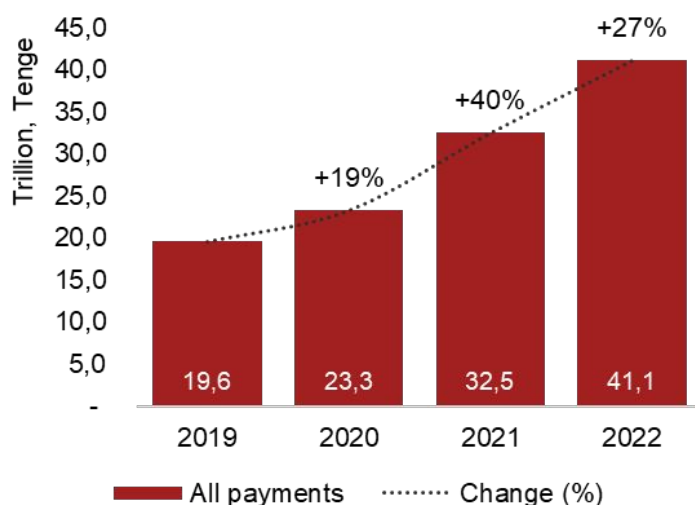
* The concept of cash payments includes cash withdrawn from ATMs

** The concept of non-cash payments does not include P2P transfers

*** Smart Pay: QR, Apple Pay, Samsung Pay, Google Pay, Android Pay, Garmin Pay



Review of the payments market



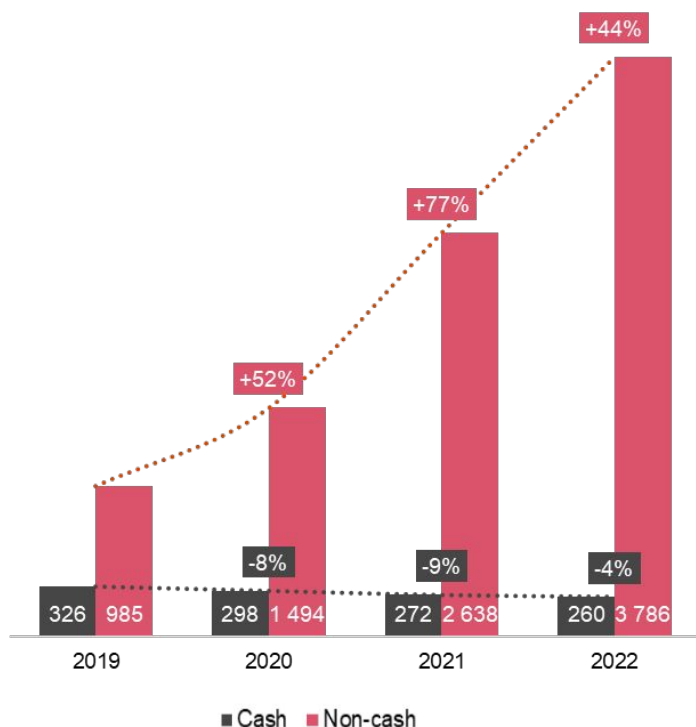
In 2022, the payments market in Kazakhstan continued to grow and increased by Tenge 8,6 trillion compared to 2021, amounting to Tenge 41,1 trillion. However, the growth rate slowed down. As such, in 2022 the annual growth of the market amounted to 27%, whereas in 2021 the annual growth of the market was 40%.

The volume of cash payments expressed in the amount of cash withdrawn from ATMs is significantly reducing and for the first time for the entire analyzed period the amount of non-cash payments exceeded the amount of cash withdrawn from ATMs, amounting to Tenge 21,6 trillion in 2022, which is 49% more than in 2021.

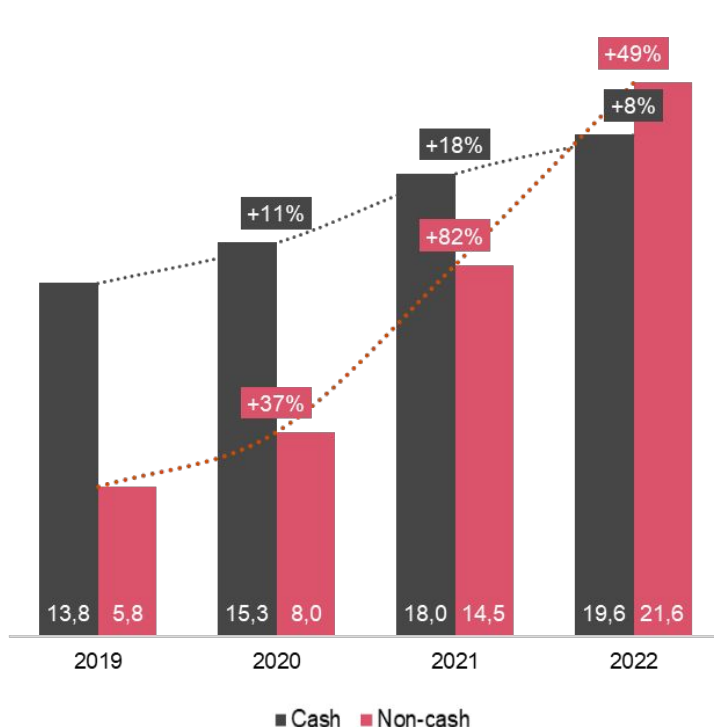
Analyzing the changes in the amount of payments and the number of transactions, it can be noted that the number of transactions related to withdrawing cash from ATMs continued to reduce to 260 mln units in 2022, which is 4% less than in the previous year, thus increasing the average amount of a withdrawal from ATMs by 13% from Tenge 66,3 thousand to Tenge 75,2 thousand. The changes in the amount and number of non-cash payments show a similar growth dynamics in 2022 – the number of non-cash payments increased by 44%, whereas the amount of non-cash payments increased by 49% relative to 2021, which resulted in an insignificant increase in the average check of non-cash payments by 4% from Tenge 5,4 thousand to Tenge 5,7 thousand in 2021 and 2022, respectively.

The trends in the payments market are driven by many factors: growing level of digitalization in Kazakhstan, a surge in development of retail e-commerce platforms during the pandemic, improvement and growing choice of various online and offline payment methods – all of this directly affects the decrease in the use of cash payments and the growth of non-cash payments.

Total amount of cash and non-cash payments (trillion Tenge) and annual changes (%)

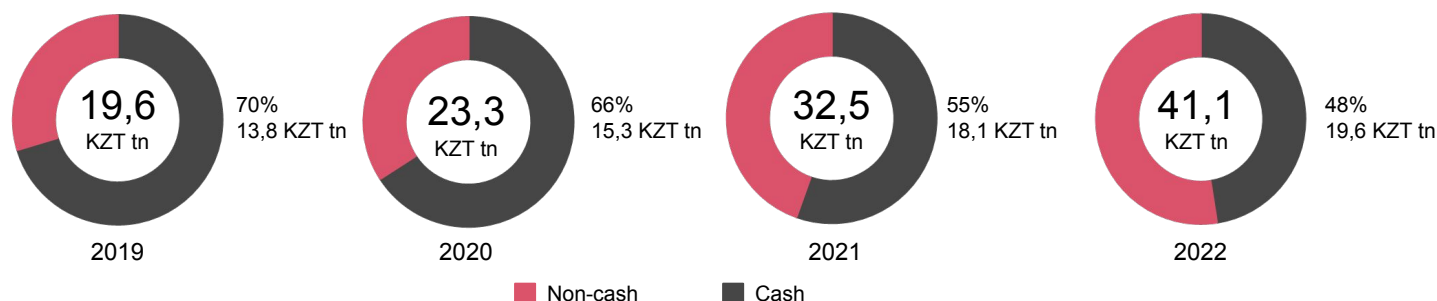


Total quantity of cash and non-cash payments (trillion Tenge) and annual changes (%)



Cash payments market

Changes in the share of cash payments in the total volume of the market, trillion Tenge

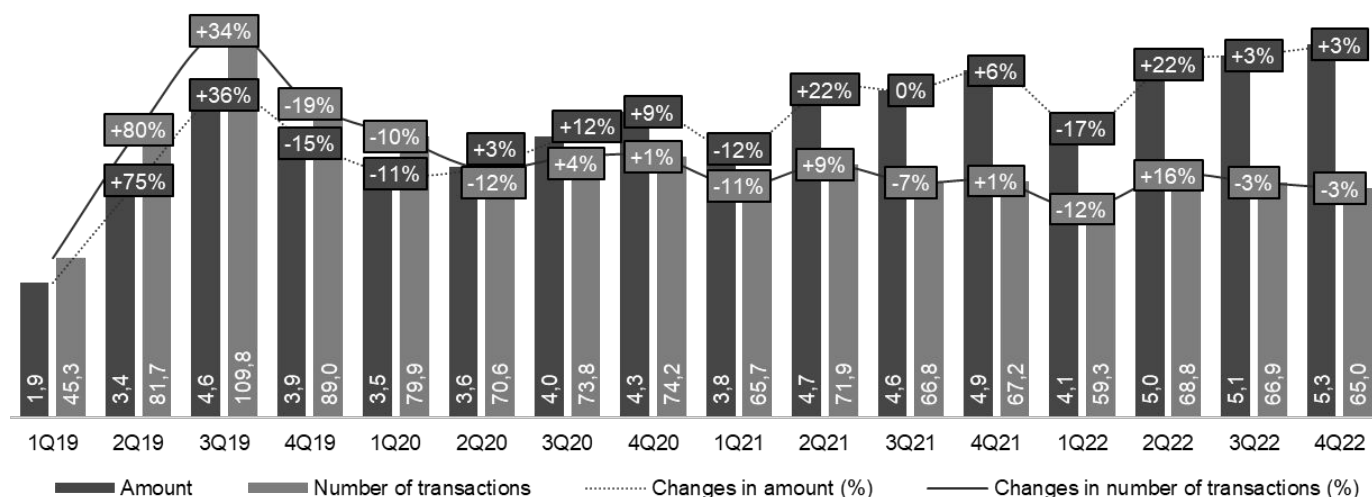


The decreasing dynamics of the share of cash payments in the total market continued in 2022 and the share reduced by 7 pp compared to 2021, amounting to 48% or Tenge 19,6 tn. It is worth noting that the share of cash can be less since part of cash withdrawn from ATMs can be used for replenishing deposits or transferring to accounts of other market players and used again in a non-cash payment.

Despite the reducing share of cash payments, they remain an integral part of the economy due to certain factors, such as an existence of the areas of payments market with undeveloped non-cash payment methods, part of the population preferring cash payment methods and cash keeping, difficulties switching to using new technologies, tax evasion, getting salary in cash, etc.

Rapid development of non-cash payment methods and appearance of new digital solutions in the payments market are the main factors reducing the rate of growth of cash payments.

Changes in the amount (trillion Tenge) and the number (million units) of cash payments by quarter



In quarterly changes in the amount and number of transactions of cash withdrawals from ATMs, an interesting trend is observed, specifically in 2Q2020 for the first time in the analyzed period there was an opposite trend in changes in the amount and number of transactions (the amount increased by 3%, whereas the number of transactions decreased by 12%). In general, starting from this period, the increase in the amount of withdrawals from ATMs exceeded the increase in the number of transactions. It may be assumed that people started withdrawing cash from ATMs less often but in larger amounts.

An additional analysis of the amount and number of transactions of cash withdrawal and cash deposits through ATMs shows a stable increase during 2022, except for September when the amount of withdrawals decreased by 6% and the amount of deposits did not change compared to the previous month. In general, the amount of cash deposits through ATM increased almost 2 times in December 2022 compared to the beginning of the year, whereas the amount of withdrawals increased by 62%. During the year, there were no significant changes in the average check on withdrawal and addition, except for February 2022 when the average amount of cash withdrawals from ATMs increased by 11%.

Non-cash payments market

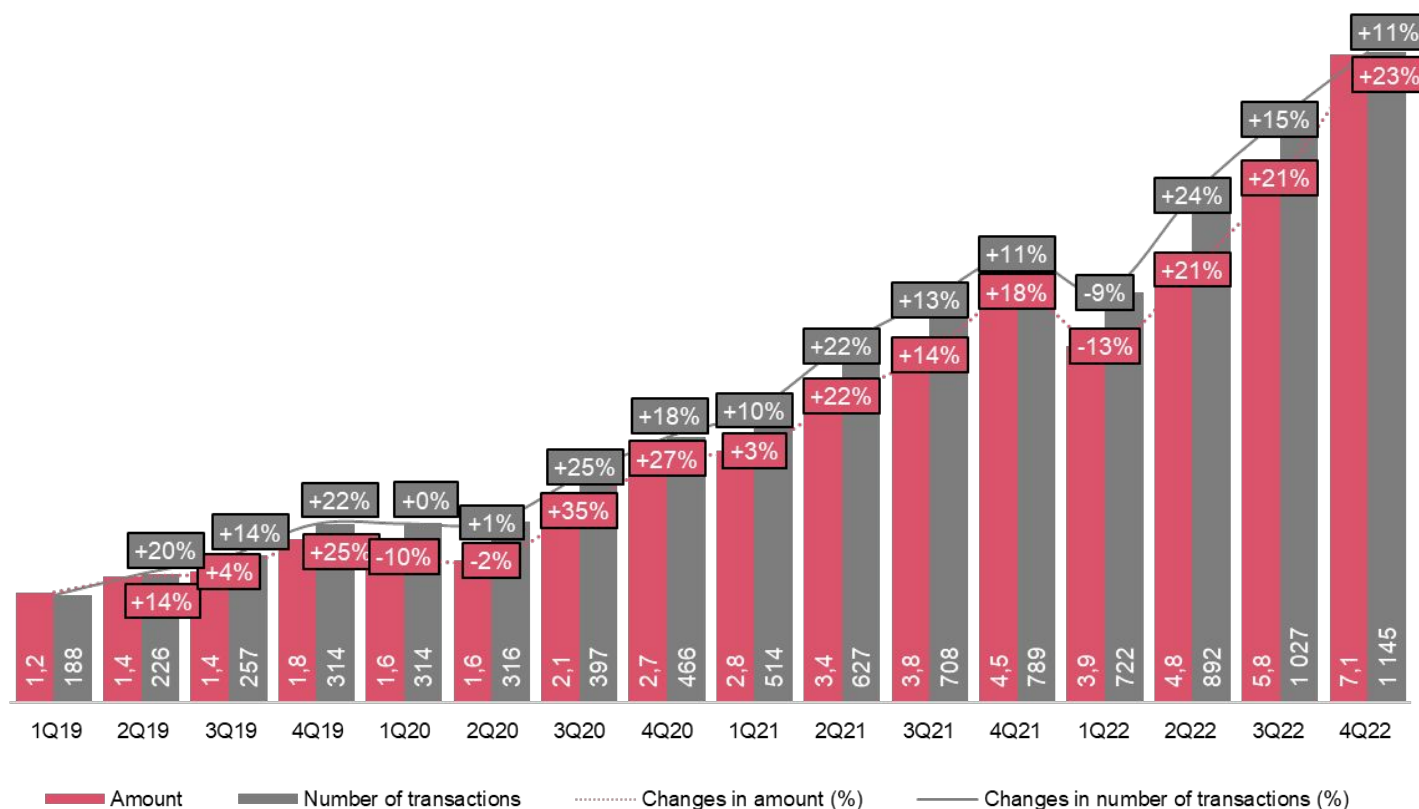
The non-cash payments market continued its rapid growth in 2022. The amount of non-cash payments reached Tenge 21,6 trillion, which is 49% greater than the results of 2021 and 2,7 times more than the amount in 2020. Meanwhile the frequency of non-cash payments increased to 3,8 billion transactions, which is 44% more than in 2021 and 2,5 times more than in 2020. The further growth of non-cash payments was facilitated by the increased accessibility, growing convenience and variety of non-cash payment methods. According to NBRK*, the number of POS terminals reached 832 thousand (+66% compared to 2021), where the greatest growth was in Almaty (+190%), Kyzylorda (+89%), Zhambyl (+86%) and Akmola (+81%) regions.

In 1Q2022, there was a decrease in the amount of non-cash payments and the number of transactions by 13% and 9%, respectively, which can be explained by the limited ability to make non-cash payments during the January events. Nonetheless, already in 2Q2022 the market recovered, when the quarterly growth of the amount of non-cash payments amounted to 21% and reached Tenge 4,8 trillion.

The market continued to grow in 3Q2022, when the amount of non-cash payments repeated the quarterly growth of 21% and the number of transactions increased by 15% compared to the previous quarter. It is worth noting that the significant growth of POS terminals in the country occurred in 3Q2022 reaching 674 thousand units*, which is 20% more than the previous quarter.

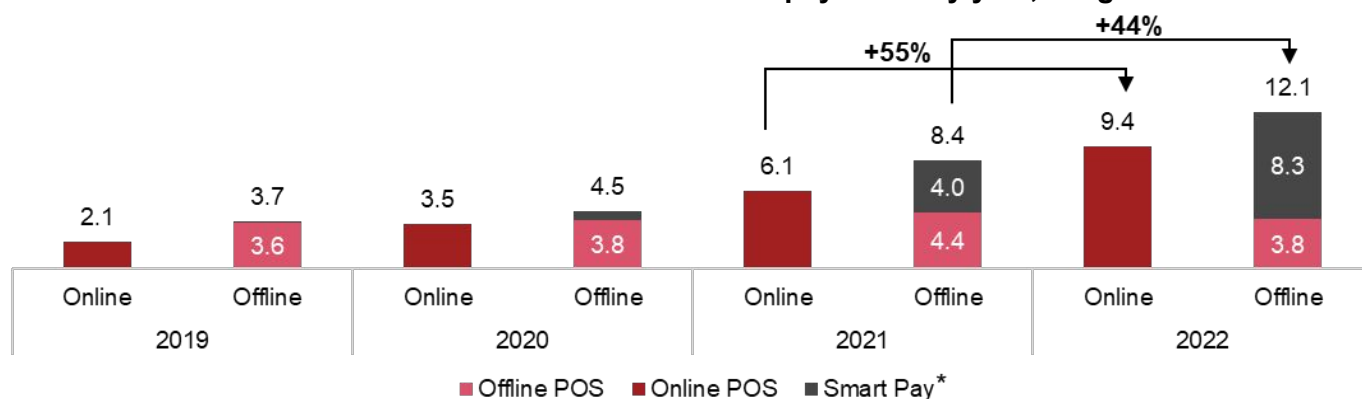
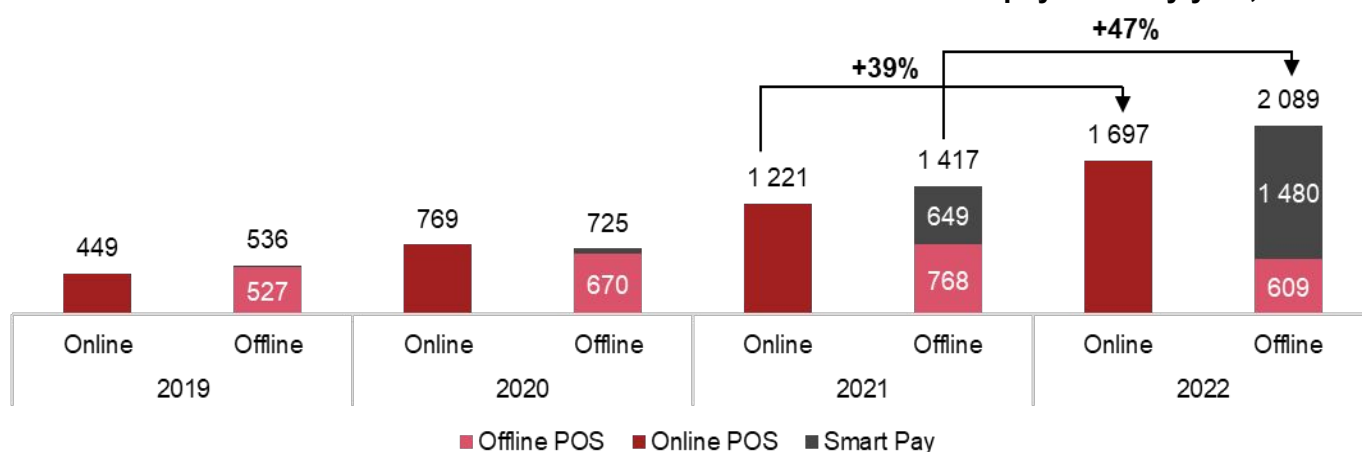
In 4Q2022, there was the greatest difference in the rate of growth of the amount and number of transactions for the entire analyzed period – the amount of non-cash payments increased by 23% and the number of transactions only by 11% compared to the previous quarter. As a result, the quarterly growth of the average check reached the maximum value in 4Q2022. This trend could be affected by such factors as the decrease in the purchasing power amid the growing annual inflation (20,7% for 2022**).

Changes in the amount (trillion Tenge) and the number of transactions (million units) of non-cash payments by quarter



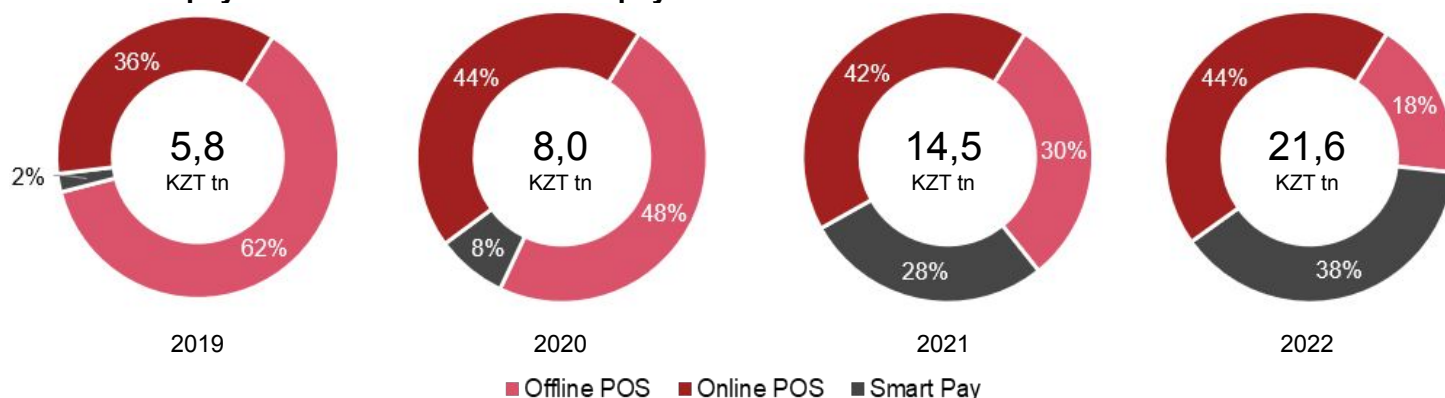
* According to the figures from the National Bank of the Republic of Kazakhstan

** According to the National Bureau of Statistics of the Agency for Strategic Budgeting and Reforms of the Republic of Kazakhstan

Movements in the amount of online and offline non-cash payments by year, Tenge trillion**Movements in the number of transactions of online and offline non-cash payments by year, mln units**

In 2022, the amount of online payments increased by 55%, and the number of transactions by 39%. Such a trend can be explained by development of the level of digitalization in Kazakhstan, and the growth of the e-commerce market, where the volumes increased to Tenge 1,3 trillion (which is 30% more than in 2021)**. In 2022, UN monitoring assigned Kazakhstan the 28th place in the world by the E-Government Development Index (EGDI) and the 15th place by E-Participation Index (EPI)***. Another reason is the growing trust of buyers for online purchases and switching to online payments for everyday goods and services.

Despite the rapid development of the online payments market, the amount of offline payments also increases significantly by 44% since 2021 to Tenge 12,1 trillion and by 47% in the number of transactions to 2,1 billion units. However, it can be noted that the greatest upswing in the amount of offline payments is mainly the share of Smart Pay* with an annual growth of 2,1 times compared to 2021. The reason for such a growth can be explained by the increase in the number of POS terminals providing a payment option through Smart Pay.

Shares of payment methods in non-cash payments

It is worth noting that the ongoing trend of the growth of the share of Smart Pay in 2022 up to 38,4% of the total cash payments occurs amid the decrease in the share of offline POS to 17,8%. Such a trend is caused by multitasking functionality of modern POS terminals, where the buyer is provided with an option of a payment method. To date, the convenient banking ecosystem with compound consumer services provides an opportunity of safer, convenient and quick payment methods.

* Smart Pay: QR, Apple Pay, Samsung Pay, Google Pay, Android Pay, Garmin Pay

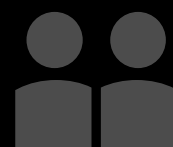
** Analysis of the retail e-commerce market in the Republic of Kazakhstan

*** United Nations E-Government Development Database (UNeGovDD)

Thank you!

We would like to thank each participant of our research for their time, opinions and invaluable assistance in forming the results.

We hope that the result of our joint efforts will facilitate a deeper understanding of the current processes in development of the payments market and in changing the behavior of users occurring in Kazakhstan.



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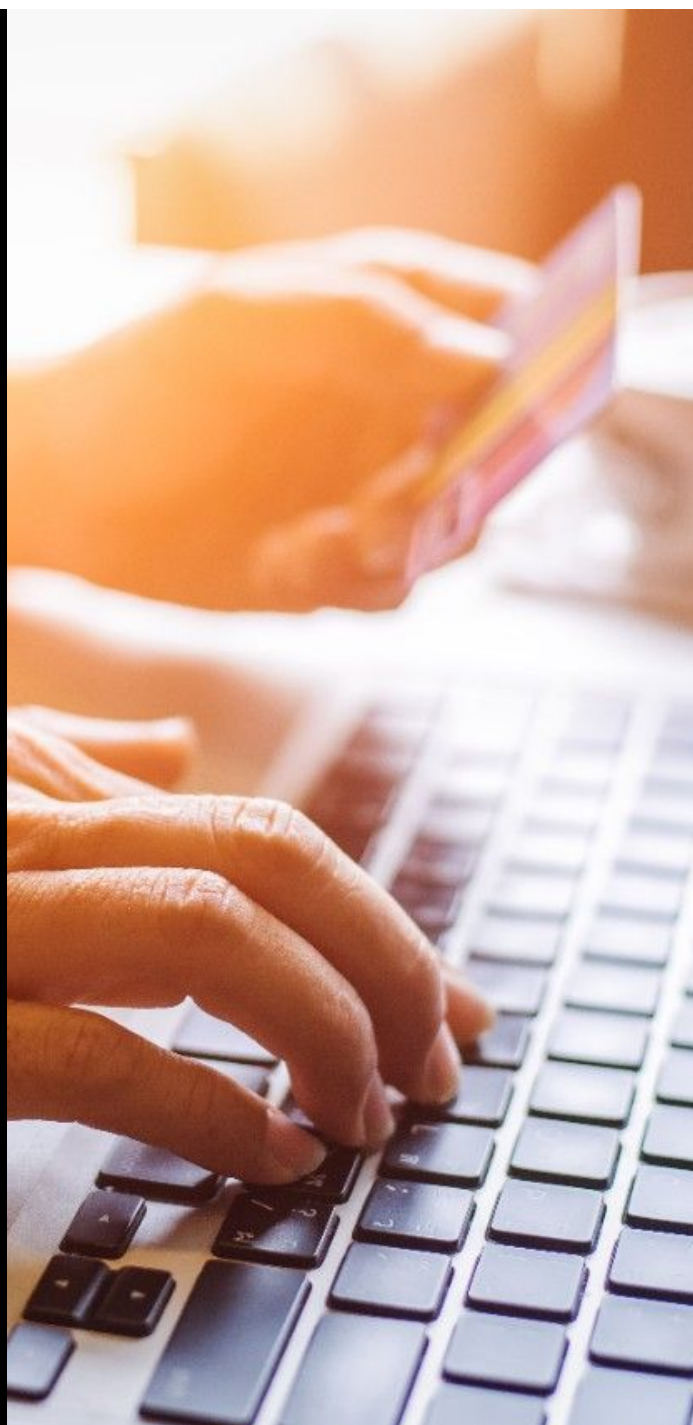
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